

27 Jul 2022

Nam Kim Steel JSC (NKG)

June 2022 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the May sales of the company. Here are some key issues worthy of note.

Weak coated-steel demand in June

- Total June steel sales volume posted 82,124 tonnes, decreasing by 3.4% mom and 19.4% yoy.
- Steel coat volume made up 83.2% of the June total sales volume at 68,344 tonnes, -8.6% mom and -23.6% yoy.
- The coated steel export volume (52,403 tonnes) was down 13.8% mom and 17.4% yoy, which showed the weak demand globally amid slow growth outlook.
- Domestic volume of steel coat recorded 15,941 tonnes (14.3% mom, -38.7% yoy) and steel pipes volume posted 13,780 tonnes (33.9% mom and 10.8% yoy).

Weak demand in 2Q22 dragged overall performance

- The June performance witnessed the decline in export volume, however, export still remains as the key growth driver in 6M22.
- The 6M22 total sales volume came in at 517,602 tonnes, -0.7% yoy on the back of the steel coat volume growth of 4.1% yoy to 436,352 tonnes despite the steel pipes growth of -20.4% yoy to 81,250 tonnes.
- The total 6M22 export volume (accounted for 63.4% of total sales; 328,344 tonnes) grew 12.4% yoy while the local sales volume (189,258 tonnes) declined by 17.4% yoy.
- The total 2Q22 sales volume was 260,265 tonnes (+1.1% qoq but -6.4% yoy). In which, domestic demand dropped significantly by 30.6% yoy, 14.8% qoq.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (26 Jul, pt)	1,185
Stock price (26 Jul, VND)	17,500
Market cap (USD mn)	194
Shares outstanding (mn)	263
52-Week high/low (VND)	44,966/15,650
6M avg. daily turnover (USD mn)	12.13
Free float / Foreign ownership (%)	64.9/7.0
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

Performance

	1M	6M	12M
Absolute (%)	1.2	(31.6)	(18.9)
Relative to VNIndex (%p)	0.8	(12.9)	(13.3)

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	12,619	14,811	12,176	11,559	28,173
chg. (% YoY)	41.2	17.4	(17.8)	(5.1)	143.7
Operating profit (VND bn)	1,024	390	62	509	2,749
Net profit (VND bn)	707	57	47	295	2,225
EPS (VND)	5,279	315	251	1,574	10,189
chg. (% YoY)	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA (VND bn)	1,344	811	504	885	3,128
PE (x)	5.9	21.9	26.8	8.9	3.8
EV/EBITDA (x)	7.8	6.3	6.9	5.6	3.7
PB (x)	1.6	0.4	0.4	0.8	1.5
ROE (%)	31.3	1.9	1.5	9.5	49.9
Dividend yield (%)	2.5	0	0	1.9	0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Hai Nguyen

hai.nt@kisvn.vn

Table 1. Sales volume growth (Tonnes)

	Monthly				Accumulated		
	June-21	June-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes	12,435	13,780	33.9	10.8	102,123	81,250	(20.4)
Export	0	0	N.a	n.a	244	0	(100.0)
Domestic	12,435	13,780	33.9	10.8	101,879	81,250	(20.2)
Steel Coat	89,479	68,344	(8.6)	(23.6)	419,151	436,352	4.1
Export	63,460	52,403	(13.8)	(17.4)	291,993	328,344	12.4
Domestic	26,019	15,941	14.3	(38.7)	127,158	108,008	(15.1)
Total Steel Volume	101,914	82,124	(3.4)	(19.4)	521,274	517,602	(0.7)
Export	63,460	52,403	(13.8)	(17.4)	292,237	328,344	12.4
Domestic	38,454	29,721	22.6	(22.7)	229,037	189,258	(17.4)

Source: Company, VSA, KIS

Table 2. Production volume growth (Tonnes)

	Monthly				Accumulated		
	June-21	June-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes							
Production	9,964	13,310	45.8	33.6	99,586	74,946	(24.7)
Inventories	7,702	0	N.A	N.A			
Steel Coat							
Production	111,223	68,560	(14.6)	(38.4)	473,525	448,903	(5.2)
Inventories	81,417	0	N.A	N.A			
Total							
Production	121,187	81,870	(8.4)	(32.4)	573,111	523,849	9.4
Inventories	89,119						

Source: Company, VSA, KIS

Company overview & Glossary

Founded in 2002, Nam Kim Steel is one of Vietnam's largest manufacturers of galvanized steel sheets and steel pipes for use in residential, industrial and civil construction.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	5,705	3,823	4,244	4,397	11,385
Cash & cash equivalent	508	658	778	588	1,199
Accounts & other receivables	1,107	744	876	1,437	1,905
Inventory	4,090	2,420	2,589	2,371	8,281
Non-current assets	3,992	3,975	3,506	3,185	2,955
Investment assets	132	443	49	58	184
Fixed assets	3,859	3,532	3,457	3,126	2,771
Others	451	290	243	121	1,042
Total assets	10,174	8,122	8,064	7,763	15,382
Accounts & other payables	1,053	723	1,953	1,577	5,828
ST debt & bond	4,503	3,201	2,388	2,520	3,773
LT debt & financial liabilities	1,677	1,226	705	484	58
Total liabilities	7,234	5,150	5,047	4,582	9,659
Controlling interest	2,940	2,971	3,016	3,181	5,723
Capital stock	1,300	1,820	1,820	1,820	2,184
Capital surplus	766	766	766	766	786
Others	43	71	74	18	117
Retained earnings	830	313	356	576	2,636
Minority interest	0	0	0	0	0
Shareholders' equity	2,940	2,971	3,016	3,181	5,723

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	12,619	14,811	12,176	11,559	28,173
COGS	11,250	14,018	11,835	10,690	23,904
Gross profit	1,368	792	341	869	4,270
SG&A expense	344	402	278	359	1,521
Operating profit	1,024	390	62	509	2,749
Financial income	115	97	107	89	199
Interest income	3	27	30	27	199
Financial expense	377	430	275	281	397
Interest expense	267	338	237	222	244
Other non-operating profit	19	5	195	3	11
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	781	62	90	320	2,562
Income taxes	74	4	42	25	337
Net profit	707	57	47	295	2,225
Net profit of controlling interest	707	57	47	295	2,225
EBITDA	1,344	811	504	885	3,128

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operating	(1,456)	2,335	1,180	15	(303)
Net profit	707	57	47	295	2,225
Depreciation & Amortization	319	421	441	376	379
Net incr. in W/C	(2,507)	1,905	950	(645)	(3,434)
Others	23	(48)	(258)	(10)	527
C/F from investing	(1,440)	(194)	(229)	(345)	(304)
CAPEX	(1,027)	(427)	156	(54)	(140)
Net loan granted & purchases of debt instruments	(388)	215	(511)	371	(49)
Net purchases of investment in affiliates	(27)	0.0	105	0.0	(138)
Other	3	17	20	28	23
C/F from financing	2,815	(1,772)	(1,336)	(218)	1,154
Incr. in equity	811	0	0	(78)	340
Incr. in debts	2,138	(1,748)	(1,314)	(67)	861
Dividends	(129)	(1)	0	0.0	0
Others	(5)	(23)	(21)	(21)	(47)
C/F from others	0	(0)	0	0	0
Increase in cash	(81)	368	(385)	143	533

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
per share data (VND)					
EPS	5,279	315	251	1,574	10,189
BPS	20,567	14,897	15,221	16,110	26,205
DPS	595.2	0	0	250	0
Growth (%)					
Sales growth	41.2	17.4	(17.8)	(5.1)	143.7
OP growth	28.6	(61.9)	(83.9)	709.9	439.7
NP growth	36.6	(91.9)	(17.5)	524.3	653.6
EPS growth	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA growth	39.6	(39.7)	(37.8)	75.5	83.5
Profitability (%)					
OP margin	8.1	2.6	0.5	4.4	9.7
NP margin	5.6	0.4	0.4	2.6	7.9
EBITDA margin	10.7	5.5	4.1	7.7	5.8
ROA	8.5	0.6	0.5	3.7	19.2
ROE	31.3	1.9	1.5	9.5	49.9
Dividend yield	2.5	0	0	1.9	0
Dividend payout ratio	11.2	0	0	15.8	0
Stability					
Net debt (VND bn)	3,981	6,086	3,965	3,016	3,068
Int.-bearing debt/equity (%)	210.1	149.0	102.5	94.4	66.7
Valuation (X)					
PE	5.9	21.9	26.8	8.9	3.8
PB	1.6	0.4	0.4	0.8	1.5
EV/EBITDA	7.8	6.3	6.9	5.6	3.7

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Prepared by: Hai Nguyen

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